FUTURE RE COMPANY

ANNUAL REPORT
FOR THE YEAR ENDED 2020

Risks remain our core business. Through active diversification and excellent management, we systematically transform them into the increase of the value of Future Re.

Financial Highlights

All figures in KPW'000	2020	2019
Balance Sheet		
Total assets	5,259,370	4,784,066
Total equity	4,545,649	4,115,310
Total liabilities	713,721	668,756
Income Statement		
Total incomes	2,071,464	1,888,700
Net premiums earned	1,543,574	1,090,147
Investment income	523,504	447,300
Other income	4,386	351,253
Profit for the year	539,894	814,594
Cash Flow Statement		
Operating activities	290,996	303,586
Investing activities	(348,747)	(671,497)
Financing activities	(161,968)	(116,567)
Cash and cash equivalent at the end of the year	1,078,030	1,297,749

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President's Report

Dear Sirs,

In recent times, our country has witnessed success by success in developing all economic sectors by dint of science and technology.

We believe this is a precious milestone for our people to give full play to the solid foundation of self-supporting national economy and make a significant progress in improving people's living standards.

Under these circumstances, we, Future Re, have upgraded our business strategy on a more scientific and reasonable ground to keep pace with the developing reality and contribute to the sustainable development of national economy and insurance industry.

Future Re is now committed to the main goal of "make tangible contribution to the national economic development by preventing or mitigating risks". With this strategy in mind, we have taken a meaningful step toward innovation and change.

As required by the current trend in national economy and insurance industry, we have firmly adhered to the guiding principles of "Optimization and Diversification" and never ceased to innovate business strategy and manage risks effectively in order for us to make business practice as much optimal as possible.

As such, Future Re continued to grow robustly while maintaining its market share and achieved continuous improvement and positive results in operating performance in 2020.

In 2020, the gross written premiums totaled KPW 1,782,688,476, which is a 156.15% increase over the previous year at KPW 1,141,647,000, and a record-high result in the three consecutive years since 2018.

The reinsurance businesses, with a profit of KPW762,041,000 and a combined ratio of 73.88%, were also very promising.

The same goes for the investment and we recorded a total investment income of KPW523,504,000, which increased by 117.04% from the previous year.

The total assets of Future Re has increased to KPW 5,259,370,000 as of December 31 2020, which is an increase of 130.26% over 2018.

The annual revenue from all business activities reached KPW2,071,464,000.

In addition, the annual net income totaled KPW771,277,000 before payment to the state.

Future Re experienced trials in the management, nevertheless, we regard the year under review as a year of good achievement.

This is entirely attributable to the management strategies set forth by Future Re to diversify its business activities.

With these achievements as the driving force, we plan to expand our reinsurance business lines to the entire home market for 2021 according to our new management strategy and targets.

By doing so, we hope we can achieve more increase in the reinsurance premium income and the capacity for reinsurance coverage in 2021.

Meanwhile, we will always update the company's management strategies in order to improve the diversified business structures and ensure efficient use of capital.

On behalf of the executive committee members and all staffs, I would like to thank you for placing confidence in Future Re.

Yours sincerely,

Kim Chang Ho
President,
Future Re Company

Management Strategies and Principles

Management Strategies

Principle for putting business activities on an optimal and diversified basis

It is aimed at ensuring maximum profits through efficient investment in businesses which can generate the highest returns.

More Cash-Flow

To ensure smooth cash flow and increase the total assets of Future Re through additional investment in businesses from which the annual income can increase and make substantial profits.

Management Principles

People-oriented principle

Future Re should attach importance to the improvement in health care and the stabilization of livelihood of the people before anything else in all its activities.

Management mechanism

To steadily improve the management mechanism by subordinating everything to conducting positive and effective business activities.

Human resources

In accordance with the human resources principle for improving the qualifications and ability of all underwriters by substantially enlisting them in (Re) insurance practice, we plan to make Future Re staffed with talented person who would strive to achieve its objectives with their competency, enthusiasm for work and a single mind with Future Re through multi-level trainings of (Re)insurance practice.

Risk management

Future Re will take constant measures to prevent damages and losses on the basis of a comprehensive analysis of potential hazards through an integrated risk management mechanism.

Management Report

Business development

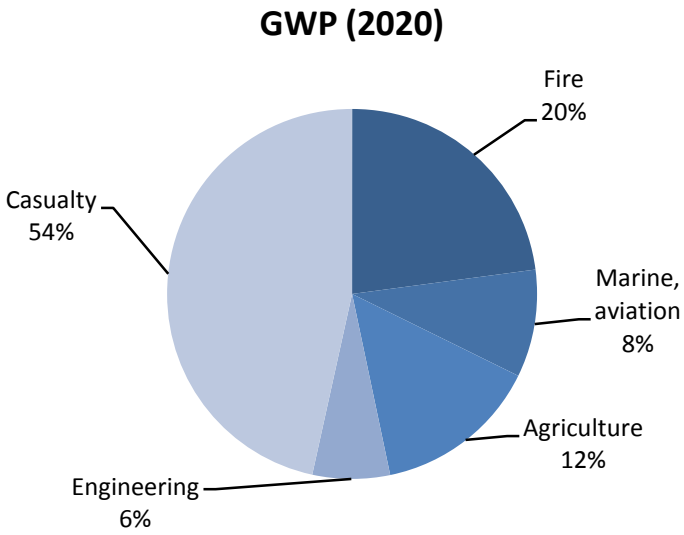
Thanks to the excellent business experience in reinsurance and the good investment result, Future Re recorded an outstanding business income of KPW 2,071,464,000 in 2020.

With regard to reinsurance business line Future Re made sustained efforts to expand reinsurance coverage in close cooperation with the local insurance companies, and thus generated reinsurance premium income KPW1,782,688,476.

In particular, Future Re managed to boost premium income and enhance profitability through a rational reinsurance coverage for the property and casualty insurance in 2020.

The annual reinsurance premium underwritten from property and casualty business lines amounted to KPW1,318,910,319, representing 231.73% over the previous year-and accounted for 73.98% of the total reinsurance premium income for the year.

As such, the business results from property and casualty lines are mainly attributable to an increase of Future Re's assets by 109.94% than in 2019.



The trend of growth in premium income for 2020 shows the high demand for reinsurance coverage in the domestic market.

Gross written premiums by class of business			*All figures in KPW'000*
	2020	2019	2018
Fire	347,740	93,952	277,359
Marine, aviation	218,790	132,090	292,158
Agriculture	102,565	348,711	75,074
Engineering	142,423	91,699	107,078
Casualty	971,170	475,195	
Total	**1,782,688**	**1,141,647**	**751,669**

Compared with the previous year, investment income increased by KPW76,204,000 to KPW523,504,000 as regards the investment business in 2020.

The growth of investment income in 2020 compared with that of 2019 is mainly attributable to the efficient allocation of the investment funds.

Accordingly, the return on investment outperformed our expectation in early 2020.

Meanwhile, the value of the securities purchased by Future Re accounts for 12.36% of its total assets, which ensured a sustainable increase in the technical provisions necessary for its stable management in 2020.

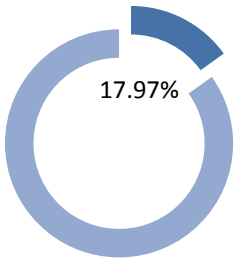
Investment Business			*All figures in KPW'000*
	2020	2019	2018
Real estate	98,400	28,700	147,600
Loans	170,676	271,152	85,040
Fixed-interest securities	231,420	132,440	
Others	23,008	15,008	
Total	**523,504**	**447,300**	**232,640**

In view of Future Re's overall business activities in 2020, its value records 109.94% increased at KPW5,259,370,000.

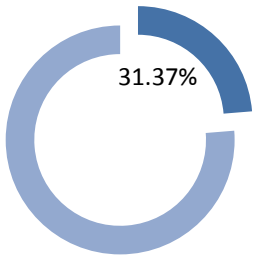
The operating result totaled KPW872,270,000 before payment to the state.

Since 2018, the total reserved technical provisions for reinsurance and investment amount to KPW523,729,000 and KPW161,968,000 was paid to the shareholder.

Proportion of the financial assets out of the total assets



AY 2019



AY 2020

Property and Casualty reinsurance

The State Insurance Commission (SIC) demands that all the local insurers provide all sectors and units of the national economy with a reliable insurance coverage so as to achieve a sustainable growth in step with the development of the country's overall economy.

Accordingly, the local insurers are trying to provide with the reliable insurance coverage to the state owned properties and the safety of people, and enhance the level of insurance indemnity capacities.

In keeping with positive activities of local insurance companies and their increasing volume of insured businesses, the SIC demands that insurers attach importance to reinsurance coverage for their property and casualty insurance portfolios.

In light of the foregoing, Future Re renewed various proportional and non-proportional treaties with local insurers for two consecutive years.

Property and Casualty

All figures in KPW'000

Year	GWP	Combined Ratio
2020	1,318,910	61.03%
2019	569,147	32.40%
2018	277,359	71.12%

In particular, the written premium income from property and casualty excess of loss treaty increased to KPW706,603,546, representing an annual increase of 148.70%, and it accounted for 53.57% of the gross premium underwritten from Future Re's property and casualty business lines.

The annual claims incurred in property and casualty reinsurance due to a series of typhoons last August and September totaled over KPW 10,000,000,000, but each event loss-

-amount did not exceed the retention and priorities of proportional and non-proportional treaties, thereby not affected the respective reinsurance business portfolios.

As a result, the combined ratio was 61.03% in property and casualty reinsurance business lines.

Accordingly, the reinsurance business portfolios of the property and casualty insurance were profitable, when compared to other reinsurance business lines.

Marine Reinsurance

In collaboration with local insurers Future Re renewed several reinsurance treaties in 2020 following 2019.

The net earned premiums of the renewed Marine Cargo Quota Share Treaty and Port Liability Reinsurance amounted to KPW202,755,497 and KPW1,935,000 respectively.

Marine

All figures in KPW'000

Year	GWP	Combined Ratio
2020	218,790	78.18%
2019	348,711	79.36%
2018	292,158	75.04%

Meanwhile, the net earned premium of Aircraft Third Party Liability Reinsurance and Marine Cargo Excess of Loss Reinsurance totaled KPW 4,140,000 and KPW5,589,000 respectively.

Future Re accounted the net earned premiums of KPW214,419,497 with its combined ratio of 78.18% from Marine reinsurance business portfolios during 2020.

Agriculture Reinsurance

In August and September 2020, a series of three typhoons incurred losses to agricultural insurance covering crops such as rice, maize and potato, to the extent that the reinsurance business was also badly affected.

Last year, Future Re wrote in proportional reinsurance treaties the net earned premiums of KPW28,862,781 and the claims of KPW6,545,567.

Agriculture		
		All figures in KPW'000
Year	GWP	Combined Ratio
2020	102,565	121.26%
2019	91,699	43.78%
2018	75,074	44.08%

Meanwhile, in non-proportional reinsurance treaties we posted a record of the net earned premiums of KPW73,702,572 and the claims of KPW87,051,691.

The loss ratio of Crop Stop Loss Treaties was 118.11% but the loss ratio of Potato Quota Share Treaty and Aquaculture and Fruit Quota Share Treaty was 22.67% only.

During 2020 under review the agricultural reinsurance business the net earned premiums totaled to KPW102,565,353 and the claims amount KPW93,597,258.

As can be seen above, the underlying portfolio profitability was negative with its combined ratio of 121.26% for 2020.

Engineering Reinsurance

Future Re renewed several proportional and non-proportional treaties such as Engineering Quota Share Treaty, Civil Engineering Completed Risks Excess of Loss Treaty and Industrial All Risks Facultative Reinsurance.

With regard to the engineering reinsurance businesses including CAR & EAR and MB the Company wrote net earned premiums of KPW51,312,876 and claims amount of KPW34,315,190.

As for Civil Engineering Completed Risks reinsurance, the net earned premium amounted to KPW17,206,747 and the claims amount of KPW 73,929,111 and the net premium earned of KPW5,383,313 in IAR Facultative Reinsurance.

Engineering

All figures in KPW'000

Year	GWP	Combined Ratio
2020	142,423	108.99%
2019	132,090	207.60%
2018	107,078	53.63%

In 2020 the engineering reinsurance business lines wrote the net earned premiums of KPW73,902,936 and the claims amount of KPW108,244,301 with its combined ratio of 108.99%.

Investment Business

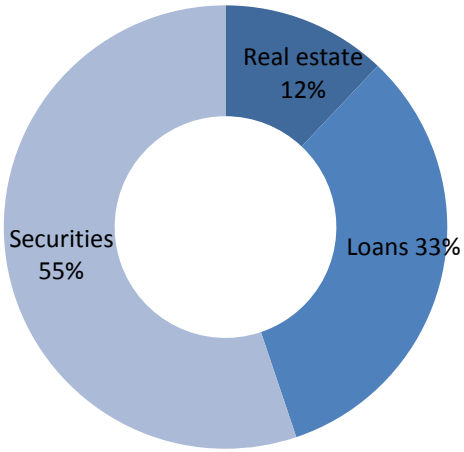
Future Re has consistently carried out several investment businesses according to the investment strategy based on the market development.

With regard to investment income for 2020 compared with the previous year we enjoyed a profitable increase of 17.04% at KPW 523,504,000, most of which came from the investment related to loan and it accounted for 32.60% of the annual investment incomes, totaling KPW170,676,000.

The Company continued to allocate the amount of KPW650,000,000 to purchase fixed-interest securities in 2020, following 2019, and obtained income of KPW164,620,000.

During 2020 the Company maintained to attach the importance to the real estate business so as to generate a stable and sustainable income, and the rental income of real estate investment accounted for 18.80% of the total investment income.

Investment Assets Portfolio 2020



In 2020 the Company faced unpredictable challenges but the total investment incomes reached KPW523,504,000, representing a year-on-year increase of 117.04%.

Future Re has set the goal of maintaining the investment income of 2020 on the basis of the diversified investment strategy in 2021 as well.

By the end of the year we were able to record the total amount of KPW2,925,500,000 in the investment assets.

Investment Properties

All figures in KPW'000

	2020	2019	2018
Real estate	348,500	410,000	410,000
Loans	948,200	753,200	753,200
Fixed-interest securities	1,596,000	946,000	

Risk Management

Future Re is making strenuous efforts to effect positive development of the reinsurance business so as to strengthen the position as the only reinsurance player in the local market.

The Company sees professional assessment and management of the risks as a key to ensure a positive development of the reinsurance business and put it on a normal footing.

We regularly identifies and analyzes several types of the major reinsured risks and use various risk assessment indicators suitable to the risks.

In accordance with the company's reinsurance business guideline all underwriters in the risk management department are doing their best to fulfill their responsibilities for risk assessment and management of the reinsured risks.

In 2021, we plan to renew or arrange for new reinsurance treaties which might inflict unpredictable losses on the positively developing reinsurance business of our company.

We will continue to develop its risk management capability to support the management of various major risks and thus systematically transform the risks into value increase of Future Re.

Integrated risk management is core to our sustained good performance and our profitable growth objective.

Establish risk management team
Identify risk areas
Understand and access scale of risk
Develop appropriate risk response strategy
Implement strategy & monitor risk control

Human Resources Buildup

In 2020, Future Re has guaranteed the expansion of the reinsurance business in local and international markets.

The Company works out the human resource plan and implements it to turn Future Re staff into talented ones in keeping with Future Re's business development target so as to expand the reinsurance business in domestic and international insurance markets.

In 2020 as well, the Company, in accordance with this plan, employed new underwriters in the insurance and reinsurance sectors and continued to make the investment in the human resources training by preparing them into the talented people possessed of remarkable business ability and sci-tech knowledge as required by the rapid development of the international markets.

Hence, we improve the comprehensive qualities and professional abilities of staff and promotes all-rounded development of the staff through-

-offering hundreds of internal seminars as regards the (Re)insurance practice and the modern science and technology.

Since 2019, Future Re has systematically identified and prepared staff for the company's future management tasks together with its scheme for assessing and developing staff potential, and highly talented and qualified staff are selected and assigned leading functions in business sections.

In the year under review, undivided attention to this task has been one of the management strategies pursued by Future Re last year following 2019.

Financial Statements

Balance Sheet

As at 31 December 2020

All figures in KPW'000	2020	2019
Assets		
Cash with bank and in hand	1,078,030	1,297,749
Trade receivables	267,403	251,473
Accrued incomes	26,908	25,487
Deferred acquisition costs	15,192	8,452
Prepayment	25,920	151,530
Intangible assets	223,341	232,570
Investments	2,925,500	2,109,200
Property and equipment	697,076	707,605
Total assets	**5,259,370**	**4,784,066**
Liabilities		
Reinsurance contract liabilities	523,729	630,731
Provision for unearned premiums	317,071	524,974

All figures in KPW'000	2020	2019
Provision for outstanding claims	36,234	18,559
Accounts payables	170,424	87,198
Deposits retained on retroceded business	-	-
Other payables	49	840
Accrued liabilities	189,943	37,185
Total liabilities	**713,721**	**668,756**
Equity		
Paid up capital	3,300,000	3,200,000
Additional paid-in capital	-	100,000
Retained earnings	810,125	459,194
Contingency reserve	70,455	43,461
Other reserves	365,069	312,655
Total equity	**4,545,649**	**4,115,310**
Total liabilities and equity	**5,259,370**	**4,784,066**

Income Statement

As at 31 December 2020

All figures in KPW'000	2020	2019
Underwriting Income	**1,543,574**	**1,090,147**
Net premiums earned	1,543,574	1,090,147
Net written premiums	1,782,688	1,141,647
Gross written premiums	1,782,688	1,141,647
Premiums ceded to retrocessionaires	-	-
Changes in unearned premiums	(239,114)	(51,500)
Investment income	**523,504**	**447,300**
Real estates	98,400	28,700
Loans and receivables	170,676	271,152
Available-for-sale financial assets	151,620	85,140
Financial assets at fair value through profit or loss	79,800	47,300
Current and time deposits	23,008	15,008
Other income	4,386	351,253
Total incomes	**2,071,464**	**1,888,700**

All figures in KPW'000	2020	2019
Claims incurred	(781,533)	(475,411)
Net claims paid	(746,041)	(476,153)
Gross claims paid	(746,041)	(476,153)
Retroceded amount	-	-
Changes in provision for outstanding claims	(35,492)	742
Commission paid	(234,456)	(138,839)
Administrative expenses	(283,320)	(109,904)
Other expenses	(878)	(840)
Total expenses	**(1,300,187)**	**(724,994)**
Operating result before payment to state	**771,277**	**1,163,706**
Payment to state	(231,383)	(349,112)
Net profit for the year	**539,894**	**814,594**

Cash Flow Statement

As at 31 December 2020

All figures in KPW'000	2020	2019
Operating activities		
Cash generated from operation	522,379	652,698
Payment to state	(231,383)	(349,112)
Net cash (generated)/used in from operating activities	**290,996**	**303,586**
Investing activities		
Purchases of investment assets	(195,000)	-
Purchases of property and equipment	(24,851)	(141,741)
Purchases of intangible assets	(2,400)	(31,056)
Purchases of securities	(650,000)	(946,000)
Interest received	425,104	418,600
Rental income received	98,400	28,700
Net cash (used in)/generated from investing activities	**(348,747)**	**(671,497)**

All figures in KPW'000	2020	2019
Financing activities		
Proceeds from note issued	-	250,000
Dividends paid to equity shareholder	(161,968)	(366,567)
Net cash (used in)/generated from financing activities	**(161,968)**	**(116,567)**
Net (decrease)/increase in cash and cash equivalents	**(128,091)**	**(484,478)**
Movement in cash and cash equivalents		
At beginning of year	1,297,749	1,782,227
Net (decrease)/ increase in cash and cash equivalents	(219,719)	(484,478)
Cash and cash equivalents at the end of year	**1,078,030**	**1,297,749**

Auditor's Report

What we have audited

The financial statements of Future Re comprise:

- the statement of financial position as at 31 December 2020;
- the statement of income statement as at 31 December 2020;
- the statement of cash flows as at 31 December 2020;

Future Re's responsibility for the financial statements

Future Re is responsible for the preparation and fair presentation of the financial statements in accordance with Financial Law, Accounting Law of DPRK and in the manner required by International Financial Reporting Standards (IFRSs).

Auditor's responsibility

Our responsibility is to check these financial statements and notify Future Re of our official results.

We have audited financial statements in accordance with Financial Law, Accounting Law, Auditing Law of DPRK and International Standards on Auditing (ISAs).

In order to verify the accuracy of financial statements, we selected the crucial documentation according to our criteria and checked the figures shown therein together with assets management status.

Not only the accuracy of financial statements but also the competency of accounting principles were closely examined.

We believe that we have done our job and presented our opinion as professional auditors on a reasonable basis.

Audit opinion

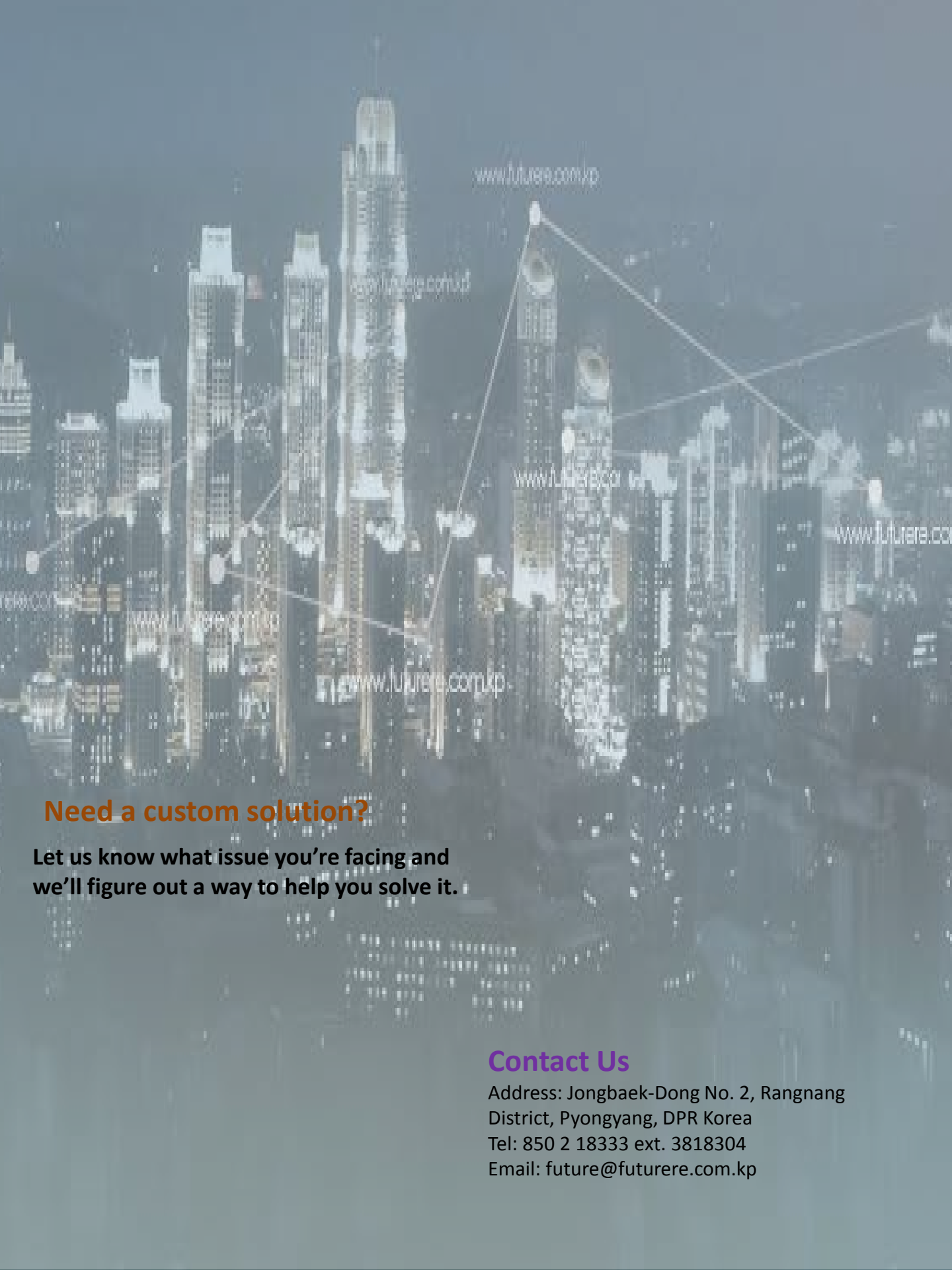
We opine that the audited financial statements give a true and fair view of the financial position of the Future Re Company as at 31 December 2020, and of its financial performance and cash flows for the year then ended in line with International Financial Reporting Standards (IFRSs) and have been properly in compliance with Financial Law and Accounting Law of DPRK.

Han Myong Il, Director, Pyongyang Office of Auditors of DPR Korea

O Un Hyang , Manager, Pyongyang Office of Auditors of DPR Korea

21st March, 2021

Pyongyang Office of Auditors of DPR Korea



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Contact Us

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